# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
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## FISCAL IMPACT STATEMENT

**LS 6933**
**BILL NUMBER:** HB 1153
**DATE PREPARED:** Feb 4, 2002
**BILL AMENDED:** Feb 4, 2002

**SUBJECT:** Teachers Employed at State Institutions.

**FISCAL ANALYST:** Chuck Mayfield
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**FUNDS AFFECTED:** X **GENERAL**
**DEDICATED**
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill specifies a grievance procedure for teachers who are employed by the state. It specifies that the salary schedules for compensation of teachers at state institutions must: (1) include a daily rate of pay, and an additional amount that equals the total amount of employer contributions made to all local retirement plans; and (2) be equal to the salaries, the employer contributions to local retirement plans, and the severance benefits paid by the school corporation having the greatest enrollment in the county where the employing institution is located. The bill requires the state to provide a group health insurance program to retired state employees who were employed as teachers if the person was employed and participated in the employee's retirement fund for 20 years of which at least 10 years were immediately preceding retirement. The bill also provides a method to allow school corporations to count the number of course credit hours attributable to individual teachers for purposes of determining teachers' salaries, compensation, and other benefits. It makes conforming amendments.

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:** *Grievance Procedures:* The grievance procedure specified by the bill will have little or no fiscal impact.

*Background Information:* There are about 497 teachers in these state institutions with total salaries of about $29.3 M.

*Compensation Benefits:* The impact of including the employer contribution to local retirement plans in the salary schedule is unknown, but could be significant. The state has required local schools to actuarially fund early retirement benefits and has allowed schools to issue bonds to fund the current benefits. If the employer cost for early retirement was 3% of salary, then the state impact would be about $879,000.

*Group Health Insurance:* The bill allows a state employee who taught in a state institution under the

Department of Correction, the Division of Disability, Aging, and Rehabilitative Services, the Division of Mental Health, the Indiana School for the Blind, the Indiana School for the Deaf, the Indiana Soldiers' and Sailors' Children's Home, or Silvercrest Children's Development Center who retired between age 55 and 65 with 10 years of service immediately prior to retirement or 20 years of total service to participate in the state health insurance program. Currently, an employee would need 15 years of service to participate in the health insurance plan. The number of people who would qualify is unknown, but the impact would probably be minor.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) The bill could affect local school budgets by increasing teacher compensation for teachers with 36 or more credit hours of academic credit above an undergraduate degree. By equating 36 credit hours in suitable license renewal courses to a master's degree, the school corporation may have higher salary, compensation, and other benefit costs.

It is unknown how many teachers have 36 credit hours of approved academic credit above an undergraduate degree. About 107 schools are paying some teachers with a master's degree or bachelor's degree with the same years of experience, the same salary. It is assumed that those schools have some method of equating approved academic credit earned to a master's degree. There are about 21,980 teachers with bachelors' degrees, and there are about 8,504 teachers in 107 schools in the situations described above. Approximately 421, or 5%, of the 8,504 teachers are receiving the same pay as a master's degree. An additional 13,476 teachers with a bachelor's degree might qualify under the bill. The average difference between a master's and bachelor's degree is about $4,300. If 674 additional teachers, at the 5% incidence rate, received an additional $4,300, then the impact would be about $2.9 M.

Schools would not receive any additional revenue due to the bill. Schools would have to fit the possible increase into their normal budgeting process. Any impact is dependent on local action.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Personnel, Department of Correction, the Division of Disability, Aging, and Rehabilitative Services, the Division of Mental Health, the Indiana School for the Blind, the Indiana School for the Deaf, the Indiana Soldiers' and Sailors' Children's Home, and Silvercrest Children's Development Center.

**Local Agencies Affected:** Local Schools.

**Information Sources:** Keith Beesley Department of Personnel, 317-232-3062; Department of Education databases.